

VZCZCXYZ0002
RR RUEHWEB

DE RUEHQT #0566 1891932
ZNR UUUUU ZZH
R 081932Z JUL 09
FM AMEMBASSY QUITO
TO RUEHC/SECSTATE WASHDC 0606
INFO RUEHBO/AMEMBASSY BOGOTA 8244
RUEHCV/AMEMBASSY CARACAS 3626
RUEHLP/AMEMBASSY LA PAZ JUL LIMA 3297
RUEHGL/AMCONSUL GUAYAQUIL 4461
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS QUITO 000566

SENSITIVE
SIPDIS

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [EC](#)

SUBJECT: ECUADOR ECON NEWS: ECUADOR JOINS ALBA, BANKS REQUIRED TO
LOWER FEES, POSSIBLE SAFEGUARD ON COLOMBIAN IMPORTS

¶1. (U) The following is a periodic economic update for Ecuador that reports notable developments that are not reported by individual cables.

Ecuador joins ALBA

¶2. (SBU) On June 24, an extraordinary Summit of the Bolivarian Alternative for the Americas (ALBA) was held in Venezuela to welcome Ecuador (together with San Vicente and the Grenadines and Antigua and Barbuda) as ALBA's newest members. Ecuador had been an observer of the Venezuelan-led group, which Chavez has touted as a regional economic integration forum, for some time. In general, there do not appear to be significant economic benefits to Ecuador joining ALBA, particularly since member countries do not share borders, but President Correa has justified the move by claiming that ALBA is a like-minded political forum which promises shared energy projects, joint social development, and new regional bodies for dispute settlement.

Banks Required to Lower Fees for Services

¶3. (SBU) According to a resolution by the Ecuadorian Banking Board, the decision-making body of the government-controlled Superintendence of Banks, financial institutions will be required to eliminate or lower fees for a large number of financial services beginning July 1. The resolution, issued on June 22, will be in effect for 3 months, and will eliminate fees for ATM transactions and lower fees for account maintenance, credit card issuance, and other services. Ecuador's Superintendent of Banks, Gloria Sabando, has said the resolution aims to benefit customers and will not affect banks' profits significantly. However, banking sector representatives project the policy could cause profits to drop by \$70 million/year and are concerned that it could affect financial sector stability. In addition, private sector bankers have warned that this policy could force their banks to reduce the number of available ATMs.

Ecuador May Establish Safeguard on Colombian Imports

¶4. (U) On June 26, Ecuador submitted a request to the Andean Community (CAN) to apply a foreign exchange safeguard to Colombian imports (in the form of a tariff), due to the fact that Colombia has significantly devalued its currency and Ecuador's products are less competitive in the Colombian market. According to Ecuador's Minister for the Coordination of Production, Nathaly Celi, the Colombian peso devaluation has caused a reduction in Ecuador's exports to Colombia of about \$29 million over the past two years. President Correa has stated that he has evidence the Colombian Central Bank intervened to increase the devaluation. The announcement follows indications that Ecuador will reinstate CAN preferences, removed as part of a balance of payments safeguard

measure in January, and may well be an attempt to continue limiting CAN imports.

15. (SBU) The issue has already provoked a reaction from the head of the Ecuadorian-Colombian Chamber of Commerce, Mara Rosa Fabara, who questions why the measure would only be applied to Colombia when the currencies of other countries in the region have also devalued during the last few months. Manuel Chiriboga, head of the trade policy think tank Foreign Trade Observatory, noted that Ecuador will need to justify why the measure would only be applied to Colombia, as it could be easily seen as retaliation for Ecuador's diplomatic problems with Colombia.

HODGES